

Message Text

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ACTION EB-07

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SUBJ: NEW INTERNAL IMPORT REGULATION CHANGES

1. PRESS HAS RECENTLY REPORTED THAT MINSTER OF TRADE AND SUPPLY ZAKARIA TEWFIK HAS TAKEN FOLLOWING DECISIONS WHICH SLIGHTLY MODIFY INTERNAL REGULATIONS FOR IMPORTATION OF GOODS BY PRIVATE SECTOR.

2. FIRST, TEWFIK DECREED THAT TIRES, COSMETICS, PERFUME, TEXTILES, SYNTHETIC FIBERS, WOOL THREADS, CARPETS, AND SOAP WILL HENCEFORTH BE IMPORTED THROUGH PUBLIC SECTOR COMPANIES ONLY. PREVIOUSLY, PRIVATE SECTOR COMPANIES WERE ABLE TO DEAL IN IMPORTATION OF THESE COMMODITIES DIRECTLY AS WERE THOSE ENGAGED IN "OWN CURRENCY" PROGRAM. PUBLIC SECTOR COMPANIES WILL RECEIVE 3 PERCENT COMMISSION FOR HANDLING THESE TRANSACTIONS. MINISTER TEWFIK GAVE AS REASON FOR MOVE NECESSITY TO CONTROL IMPORTATION OF CERTAIN COMMODITIES TO SAFEGUARD BALANCE BETWEEN DEMAND AND SUPPLY.

2. SECOND DECISION WAS TO REMOVE NUMBER OF GOODS GROM CATEGORY OF CONSUMER IMPORTS AND PLACE THEM ON LIST OF INTERMEDIATE INDUSTRIAL GOODS. THESE COMMODITIES ARE COCONUT FLAKES, DEHYDRATED MILK, COCOA,
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PHARMACEUTICALS, NATURAL AND SYNTHETIC LEATHER, TEXTILE

MACHINERY, BRICKS AND SINCKS AND OTHER CERAMIC HOUSEHOLD APPLIANCES, LEAD AND ZINC PRODUCTS AND MICROPHONES AND LOUDSPEAKERS. EFFECT OF THE ACTION WILL BE TO REDUCE IMPORT DUTIES ON ABOVE COMMODITIES BY 50 PERCENT OR MORE, THUS REDUCING COSTS TO PRIVATE SECTOR INDUSTRIES WHICH USE THEM. IN A RELATED MOVE, TEWFIK DECIDED TO ALLOW PRIVATE SECTOR TO IMPORT GAS STOVES AFTER OBTAINING APPROVAL OF MINISTRY OF PETROLEUM, WHICH CONTROLS PRODUCTION AND DISTRIBUTION OF BUTAGAS. IMPORTATION OF STOVES WAS HERETOFORE STRICTLY PUBLIC SECTOR PRIVILEGE.

3. COMMENT. MINTEWFIK'S JUSTIFICATIONS NOTWITHSTANDING, WE HAVE BEEN TOLD PRIVATELY THAT AMONG REASONS FOR ABOVE CHANGES WERE COMPLAINTS BY PUBLIC SECTOR THAT "OWN CURRENCY" IMPORTS PROGRAM WAS EATING INTO THEIR OPERATIONS. TEWFIK RESPONDED THEREFORE BY PLACING SOME OF THE HIGH-VOLUME, LUXURY IMPORTS UNDER THEIR CONTROL TO BOOST THEIR PROFITS. NOT WANTING TO PUBLISH ONLY BAD NEWS FOR PRIVATE SECTOR, TEWFIK THEREFORE COUPLED HIS ANNOUNCEMENT OF PUBLIC SECTOR BENEFITS WITH CONCESSIONS TO PRIVATE SECTOR IN FORM OF REDUCED TARIFFS.

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